P O. Box 421
Eureka, Utah 84628
(801) 433-6804
FAX (801) 433-6803

M/023/007

FILE

North Lily Mining Company

April 10, 1996

State of Utah
Attn: Compliance and Monitoring Program
Division of Water Quality
288 North 1460 West
P.O. Box 144870
Salt Lake City, Utah 84114-4780

RE: First Quarter Monitoring Report 1996

Dear Compliance and Monitoring Personnel:

In compliance with Part II of the Ground Water Discharge Permit No. 23000 issued to North Lily Mining Company in May 1991, please find enclosed:

1. Pad and pond sump logs for the first quarter of 1996
2. Well water analysis for first quarter of 1996
3. Spillway samples for the first quarter 1996

All analysis of solution taken from sump samples were composite and delivered to Rocky Mountain Geochemical Corp., in Salt lake City, Utah for analysis. The analytical method used to determine gold and silver values was an atomic absorption spectrometer and all analysis were preformed by Mr. Jim Cardwell of Rocky Mountain Geochemical. Values reported on the sump logs ie. - gold, silver and sodium cyanide levels are reported in parts per million, and the gallons, represent gallons in a 24 hour period.

The pad and pond sumps continue to be checked on a regular basis, but due to the reduced volume of solution in the system detectable levels are not often found. Only on days when solutions have been pumped from a sump are they recorded.

Well water samples were delivered to Chemtec, a Utah certified laboratory, on March 5, 1996 for analysis with a request that the water be analyzed per the specification required by the Division of Water Quality.

Spillway samples have been taken to monitor the reduction of metals and cyanide in the solution coming off the heap leach pads. This has been done to enable North Lily to better meet and comply with state and federal water quality standards. The following table outlines the progress to date on some of the metals and cyanide (all analysis are reported in mg/l):

PARAMETER	*GROUND WATER QUALITY STANDARD	DETECTED IN						
		JUL 1993	DEC 1994	MAR 1995	JUN 1995	SEP 1995	DEC 1995	MAR 1996
Fluoride as F	2.4	1.60	7.88	2.49	4.94	5.2	5.7	3.5
Arsenic as As	0.05	0.916	0.286	0.604	0.59	0.814	0.500	1.3
Barium as Ba	2.0	<.1	0.031	0.016	0.018	0.02	<0.20	<0.05
Cadmium as Cd	0.005	<.1	<.001	<.001	<.001	<0.01	<0.05	<0.025
Chromium as Cr	0.1	<1	<.007	<.01	<.007	<0.01	<0.05	<0.025
Copper as Cu	1.3	1110	430	340	283	255	188	162
Lead as Pb	0.015	<.2	0.155	0.088	0.066	0.100	0.100	<0.04
*Mercury as Hg	0.002	0.141	0.255	0.388	0.0020	0.232	0.329	0.39
Selenium as Se	0.05	0.529	0.122	0.140	0.24	0.17	0.024	0.03
Silver as Ag	0.05	4.41	0.061	3.61	1.8	4.24	3.43	0.56
Zinc As Zn	5.0	0.381	.661	0.093	0.500	0.19	0.20	0.08
Cyanide as CN-T	0.75	1480	579	344	256	300	*NOTE	163
Cyanide as CN-Wad	0.20	1264	N/R	77.6	239	291	169	153
Cyanide as CN- Free	N/A	512	N/R	INTER	179	*NOTE	312	*NOTE 1
pH	6.5 to 8.5	10.0	8.61	9.41	8.82	9.31	8.95	9.39

* Administrative Rules For Ground Water Quality Protection - Effective Date of Last Revision - March 20, 1995

* Digested analyzed by AWAL

* Note: Free Cyanide test experienced matrix interference. No reported value provide

* Note 1: Free Cyanide analysis experienced significant interference. No value was obtained.

As the above table indicates, there was a slight increase in arsenic but all other metals and cyanide decreased during the last quarter. We believe this is due to moisture received in winter storms that covered the entire heap during the last quarter of 1995 and the first quarter of 1996. North Lily is pleased that for the most part there is a downward trend in all metals and cyanide in the solutions coming off the heap leach pads.

The amount of moisture received (14.56 inches of rain and 52.12 inches of snow) has helped enormously in the reduction of metals and cyanide in the solutions coming from the heap leach pads. It has also been a benefit because of the overall coverage on the heap leach pads that could only be obtained by moisture received in the form of rain and/or snow. Because of the amount of moisture received from nature this year no fresh water was added to the system.

Nature continues to helped in the rinsing of the heap leach pads at North Lily's Silver City operation this year. The following table lists the moisture received by month to date this year (amounts are reported in inches):

PRECIPITATION LOG
FOR 1996

DATE	MOISTURE AS RAIN	AMOUNT IN SNOW
January	0.626	20.75

Date: 3/29/96

To: NORTH LILY MINING CO.
P.O. BOX 68
EUREKA, UT 84628

Group #: 7024
Lab #: 96-U002417
Project: SILVER CITY PROJECT
Sample Desc: Well Water Inlet

Date Sampled: 3/ 5/96
Date Submitted: 3/ 5/96

Time Sampled: 8:00
Time Received: 10:15

CERTIFICATE OF ANALYSIS

PARAMETER	RESULT	MDL	DATE ANALYZED	METHOD	ANALYST
INORGANIC PARAMETERS					
Beryllium (T), as Be, mg/L	< 0.001	0.001	3/ 6/96 12:39	EPA 200.7	LH
Cadmium (T), as Cd, mg/L	< 0.005	0.005	3/ 6/96 12:39	EPA 200.7	LH
Calcium (T), as Ca, mg/L	59.3	0.1	3/ 6/96 12:39	EPA 200.7	LH
Chromium(T), as Cr, mg/L	< 0.005	0.005	3/ 6/96 12:39	EPA 200.7	LH
Copper (T), as Cu, mg/L	< 0.01	0.01	3/ 6/96 12:39	EPA 200.7	LH
Iron (T), as Fe, mg/L	0.09	0.01	3/ 6/96 12:39	EPA 200.7	LH
Lead (T), as Pb, mg/L	0.01	0.04	3/ 6/96 12:39	EPA 200.7	LH
Magnesium (T), as Mg, mg/L	32.8	0.1	3/ 6/96 12:39	EPA 200.7	LH
Manganese (T), as Mn, mg/L	0.01	0.01	3/ 6/96 12:39	EPA 200.7	LH
Nickel (T), as Ni, mg/L	< 0.01	0.01	3/ 6/96 12:39	EPA 200.7	LH
Potassium (T), as K, mg/L	3.4	0.1	3/ 6/96 12:39	EPA 200.7	LH
Silver (T), as Ag, mg/L	< 0.005	0.005	3/ 6/96 12:39	EPA 200.7	LH
Sodium (T), as Na, mg/L	57.4	0.1	3/ 6/96 12:39	EPA 200.7	LH
Zinc (T), as Zn, mg/L	0.09	0.01	3/ 6/96 12:39	EPA 200.7	LH
Antimony (T), as Sb, mg/L	< 0.003	0.003	3/11/96 18:00	EPA 200.9	EG
Selenium (T), as Se, mg/L	< 0.002	0.002	3/11/96 13:00	EPA 200.9	EG
Thallium (T), as Tl, mg/L	0.001	0.001	3/11/96 17:28	EPA 200.9	LH
Cation, meq/L	8.25				
Anion, meq/L	8.84				
% Difference, %	3.50				
Receiving Temperature, C	10	0	3/ 5/96 10:15		RCG

Approved By: _____

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801 262 7299 PHONE
801 262 7378 FAX
6100 SOUTH STRATLER
SALT LAKE CITY UTAH 84107 6905

CHEMTECH-FORD ANALYTICAL LABORATORIES

Date: 3/29/96

To: NORTH LILY MINING CO.
P.O. BOX 68
EUREKA, UT 84628

Group #: 7024
Lab #: 96-U002417
Project: SILVER CITY PROJECT
Sample Desc: Well Water Inlet

Date Sampled: 3/ 5/96
Date Submitted: 3/ 5/96

Time Sampled: 8:00
Time Received: 10:15

CERTIFICATE OF ANALYSIS

PARAMETER	RESULT	MDL	DATE ANALYZED	METHOD	ANALYST
INORGANIC PARAMETERS					

NOTE: Sample submitted on ice.

Approved By: _____

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SALT LAKE CITY UTAH 84107 6905

February	1.905	20.25
March	1.421	9.25
First Quarter Total	3.952	50.25

The portable carbon column plant added to the system in November of 1994, and through which solutions coming from the pads were circulate, continued to be used through January. The plant was returned on February 9, 1996. The plant had a multi beneficial effect on the operation, several of which were; gold and silver values were recovered, this offset some of the monitoring costs, all base metals were reduced in the solutions coming from the pads, and the complex wad cyanide compounds that have been building in the system are being broken down, all of which brings the solution closer to water quality standards.

At this time metals, cyanide and other complex compounds that exceed water quality standards are being evaluated to determine the most effective way to bring them into compliance with water quality standards.

North Lily's Ground Water Quality Permit expires in May 1996. In the request for an extension North Lily will submit a detailed plan for closer.

If you have questions and/or comments, please call.

Paul C. Spor
Eureka Office
P.O. Box 421
Eureka, Utah 84628
801-433-6804 Phone
801-433-6803 Fax

or

Paul C. Spor
St. George Office
390 South 600 East
St. George, Utah 84770
801-634-1584 Phone/Fax/Messages

Sincerely,

Paul C. Spor
General Manager

cc: Roger A. Foisy, Division of Water Quality
Wayne Hedberg, Division of Oil, Gas, and Mining

Case Narrative #: 1010

This sample is a member of a set where the spiked sample was out of control. The silver spike recovered 135.5% and 141.0%. The limit is 110% recovery.

The sample was digested in conjunction with a Laboratory Fortified Blank (LFB). The LFB passed its control limits showing the digestion procedure to be in control.

The samples were bracketed by Instrument Performance Check standards (IPCs) which were within acceptable QA recovery limits and show that the analytical instrument was properly calibrated.

Because all data is bracketed by valid IPCs and the LFB passed, the data is believed to meet the method criteria. The enhanced QC spike recovery is due to matrix interference / enhancement.

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SALT LAKE CITY UTAH 84107 6905

ANALYTICAL REQUEST / CHAIN OF CUSTODY RECORD

COMPANY: North Lily Mining Co.
ADDRESS: P.O. Box 421
CITY/STATE/ZIP: Eureka, Ut. 84628
PHONE #: 801-433-6804 FAX #:

COMPANY CONTACT: Paul Spor / Troy Jones
PROJECT ID: Silver City Project
P.O. #:
TURNAROUND REQUIRED*
*expedited turnaround subject to additional charge

★ CHEMTECH ★
Analytical Laboratory
6100 S. Stratler, Murray, UT 84107
tel:(801)262-7299, fax:(801)262-7378

SAMPLE IDENTIFICATION	SAMPLE DATE	SAMPLE TIME	Number of Containers	MATRIX: Water	Soil / Solid (circle)	Sludge	Oil	Other (specify)	ANALYSES REQUESTED: Drinking Water	WAD Cyanide	Free Cyanide	Total Cyanide
1. Well Water Inlet	3/5/96	08:00 am							X			
2. Spillway Sample	3/5/96	08:10 am							X	X	X	X
3.												
4.												
5.												
6.												
7.												
8.												
9.												
10.												

Sampled by: (print) Troy Jones
Sampled by: (signature)
Comments: Spillway Sample Contains Cyanide !

Instructions: *Note; Spillway Sample Contains Cyanide !

Relinquished by: (signature)	Received by: (signature)	Date/Time	Comments
		03/05/96	1015
Relinquished by: (signature)	Received by: (signature)	Date/Time	Comments
Relinquished by: (signature)	Received by: (signature)	Date/Time	Comments

Date: 3/31/96

To: NORTH LILY MINING CO.
P.O. BOX 68
EUREKA, UT 84628

Group #: 7024
Lab #: 96-U002418
Project: SILVER CITY PROJECT
Sample Desc: Spillway Sample

Date Sampled: 3/ 5/96
Date Submitted: 3/ 5/96

Time Sampled: 8:10
Time Received: 10:15

CERTIFICATE OF ANALYSIS

PARAMETER	RESULT	MDL	DATE ANALYZED	METHOD	ANALYST
INORGANIC PARAMETERS					
Receiving Temperature, C	10	0	3/ 5/96 10:15		RCG

NOTE: Sample submitted on ice.

Free CN analysis experienced significant interference. No value was obtained.

See case narrative 1010 for Ag by ICP.

Approved By: _____

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PARAMETER	RESULT	MDL	DATE ANALYZED	METHOD	ANALYST
INORGANIC PARAMETERS					
Arsenic (T), as As, mg/L	1.3	0.3	3/15/96 11:25	EPA 200.7	MA
Barium (T), as Ba, mg/L	< 0.05	0.05	3/15/96 11:25	EPA 200.7	MA
Beryllium (T), as Be, mg/L	< 0.005	0.005	3/15/96 11:25	EPA 200.7	MA
Cadmium (T), as Cd, mg/L	< 0.025	0.025	3/15/96 11:25	EPA 200.7	MA
Calcium (T), as Ca, mg/L	152	0.5	3/15/96 11:25	EPA 200.7	MA
Chromium(T), as Cr, mg/L	< 0.025	0.025	3/15/96 11:25	EPA 200.7	MA
Copper (T), as Cu, mg/L	162	0.05	3/15/96 11:25	EPA 200.7	MA
Iron (T), as Fe, mg/L	0.06	0.05	3/19/96 18:00	EPA 200.7	MA
Lead (T), as Pb, mg/L	< 0.4	0.4	3/15/96 11:25	EPA 200.7	MA
Magnesium (T), as Mg, mg/L	4.4	0.5	3/15/96 11:25	EPA 200.7	MA
Manganese (T), as Mn, mg/L	< 0.05	0.05	3/15/96 11:25	EPA 200.7	MA
Nickel (T), as Ni, mg/L	0.87	0.05	3/15/96 11:25	EPA 200.7	MA
Potassium (T), as K, mg/L	258	0.5	3/15/96 11:25	EPA 200.7	MA
Silver (T), as Ag, mg/L	0.56	0.025	3/15/96 11:25	EPA 200.7	MA
Sodium (T), as Na, mg/L	5,030	0.5	3/15/96 11:25	EPA 200.7	MA
Zinc (T), as Zn, mg/L	0.08	0.05	3/15/96 11:25	EPA 200.7	MA
Antimony (T), as Sb, mg/L	0.02	0.015	3/21/96 10:30	EPA 200.9	EG
Selenium (T), as Se, mg/L	0.03	0.01	3/21/96 16:00	EPA 200.9	EG
Thallium (T), as Tl, mg/L	< 0.005	0.005	3/21/96 18:00	EPA 200.9	EG
Cation, meq/L	233				
Anion, meq/L	273				
% Difference, %	7.80				

Approved By: _____

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To: NORTH LILY MINING CO.
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PARAMETER	RESULT	MDL	DATE ANALYZED	METHOD	ANALYST
INORGANIC PARAMETERS					
Bicarbonate as HCO3, mg/L	5	1	3/ 6/96 9:30	SM 2320B	TM
Carbonate as CO3, mg/L	340	1	3/ 6/96 9:30	SM 2320B	TM
Alkalinity, Solids, mg/L	342	1	3/ 6/96 9:30	SM 2320B	TM
Hydroxide as OH, mg/L	< 1	1	3/ 6/96 9:30	SM 2320B	TM
Alkalinity, Total, mg/L	570	1	3/ 6/96 9:30	SM 2320B	TM
Carbon Dioxide, mg/L	253	1	3/ 6/96 9:30	SM 4500 D	TM
Chloride, mg/L	2,540	25	3/ 6/96 13:00	EPA 325.3	TM
Conductance, Specific, umhos/cm	22,500	0.1	3/ 8/96 3:30	EPA 120.1	DI
Cyanide, Free,	Comment	0.002	3/24/96 6:30	ASTM D2036	DI
Cyanide (T), mg/L	163	0.4	3/13/96 10:30	ASTM D2036	DI
Cyanide, WAD, mg/L	153	4	3/21/96 2:30	ASTM D2036	DI
Fluoride, mg/L	3.5	0.5	3/11/96 10:15	EPA 340.2	DI
Hardness, (calc), mg/L	397	1	3/22/96 9:15	CAL	RH
Mercury (T), as Hg, mg/L	0.39	0.013	3/ 6/96 16:21	EPA 245.1	KA
Nitrite, Nitrogen, mg/L	0.3	0.125	3/ 5/96 19:45	EPA 354.1	KA
Nitrate/Nitrite-Nitrogen, mg/L	8.1	0.2	3/ 6/96 11:50	EPA 353.1	TH
pH, units	9.39	0.05	3/ 6/96 9:30	EPA 150.1	TM
Phosphorus, Ortho, mg/L	0.21	0.01	3/ 5/96 19:00	SM 4500	KA
Sulfate, mg/L	9,100	2500	3/27/96 12:30	EPA 375.4	TH
Total Dissolved Solids, mg/L	19,000	50	3/11/96 2:25	EPA 160.1	MO
Total Suspended Solids, mg/L	14	2.5	3/12/96 13:45	EPA 160.2	LS
Turbidity, NTU	8.29	0.05	3/ 6/96 9:30	EPA 180.1	LS

Approved By: _____

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6100 SOUTH STRATLER
SALT LAKE CITY UTAH 84107 6905

Date: 3/29/96

To: NORTH LILY MINING CO.
P.O. BOX 68
EUREKA, UT 84628

Group #: 7024
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Sample Desc: Well Water Inlet

Date Sampled: 3/ 5/96
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CERTIFICATE OF ANALYSIS

PARAMETER	RESULT	MDL	DATE ANALYZED	METHOD	ANALYST
INORGANIC PARAMETERS					
Bicarbonate as HCO3, mg/L	139	1	3/ 6/96 9:30	SM 2320B	TM
Carbonate as CO3, mg/L	< 1	1	3/ 6/96 9:30	SM 2320B	TM
Alkalinity, Solids, mg/L	68	1	3/ 6/96 9:30	SM 2320B	TM
Hydroxide as OH, mg/L	< 1	1	3/ 6/96 9:30	SM 2320B	TM
Alkalinity, Total, mg/L	114	1	3/ 6/96 9:30	SM 2320B	TM
Carbon Dioxide, mg/L	102	1	3/ 6/96 9:30	SM 4500 D	TM
Chloride, mg/L	146	5	3/ 6/96 13:00	EPA 325.3	TM
Conductance, Specific, umhos/cm	870	0.1	3/ 8/96 3:30	EPA 120.1	DI
Cyanide (T), mg/L	< 0.002	0.002	3/13/96 10:30	ASTM D2036	DI
Fluoride, mg/L	0.2	0.1	3/11/96 10:15	EPA 340.2	DI
Hardness, EDTA Titration, mg/L	283	12	3/ 7/96 12:00	EPA 130.2	TM
Mercury (T), as Hg, mg/L	< 0.0002	0.0002	3/ 6/96 16:21	EPA 245.1	KA
Nitrite, Nitrogen, mg/L	0.008	0.005	3/ 5/96 19:45	EPA 354.1	KA
Nitrate/Nitrite-Nitrogen, mg/L	0.75	0.02	3/ 6/96 11:50	EPA 353.1	TH
pH, units	8.00	0.05	3/ 6/96 9:30	EPA 150.1	TM
Phosphorus, Ortho, mg/L	0.01	0.01	3/ 6/96 17:30	SM 4500	KA
Sulfate, mg/L	117	25	3/27/96 12:30	EPA 375.4	TM
Total Dissolved Solids, mg/L	536	5	3/ 7/96 1:30	EPA 160.1	MO
Total Suspended Solids, mg/L	< 2.5	2.5	3/12/96 13:45	EPA 160.2	LS
Turbidity, NTU	0.65	0.05	3/ 6/96 12:40	EPA 180.1	LS
Arsenic (T), as As, mg/L	< 0.06	0.06	3/ 6/96 12:39	EPA 200.7	LH
Barium (T), as Ba, mg/L	0.08	0.01	3/ 6/96 12:39	EPA 200.7	LH

Approved By: _____

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SALT LAKE CITY UTAH 84107 6905